

## OVERVIEW OF INDIAN TEXTILE INDUSTRY

The Indian textile industry is as diverse and complex as country itself and it combines with equal equanimity this immense diversity into a cohesive whole. Endowed with largest loomage in the world; the second highest spindleage, next only to China; a strong multi-fibre raw material base; a vast pool of skilled workers; flexible production systems; a dynamic entrepreneurship together with vibrant design creativity, have all contributed to creating a vibrant textile industry that has long been the mainstay of the Indian economy.

2. The Indian textile industry is an enormous complex entity. There is organized sector, decentralized sector and down the line weavers, the artisans as well as the farmers. The spectrum of technology is wide spread right from handmade to semi-mechanical, mechanical and highly sophisticated information based technology and micro-processor based technology.

3. The fundamental strength of this industry flows from its strong production base of wide range of fibres / yarns from natural fibres like cotton, jute, silk and wool to synthetic / man-made fibres like polyester, viscose, nylon and acrylic. In fact, apart from China, no other country can boast of such strong and diverse base in textile fibres / yarns. The complex and varied structure of coupled with its close linkage with culture and multi-fibre raw material base enables it to produce variety of products for varying consumer needs and preferences.

### **India is –**

- the largest producer of jute in the World;
- the second largest producer of silk;
- the third largest in cotton and second largest in cellulosic fibres;
- the fifth largest in synthetic fibres / yarn;

4. The growth pattern of the Indian textile industry in the last decade has been considerably more than the previous decades, primarily on account of liberalisation of trade and economic policies initiated by the Govt. in the 1990s. Fiscal duty structure of the textile industry has also influenced to a great extent the growth and the structure of the industry. Historically the fiscal policies concerning textile industry have always considered 'small is beautiful' and consequence is reflected in structural anomalies and concentration of downstream segments of the industry in the decentralised sector and decimation of the organised sector. **During current year an**

**attempt has been made to effect the correction in the anomalous duty structure by providing level playing field to all segments of the industry.**

5. The rationalisation of the fiscal duty structure would strengthen the organised sector particularly the composite sector which has intrinsic strength in terms of economies of scale, higher productivity, superior technology, integrated working, skilled workforce and has the capability to produce the superior quality goods. **In the competitive globalised scenario the resurrection of composite sector is of utmost importance if India has to emerge as a major player in the global textile market.** Concentrated, coordinated and focussed approach for integration and modernisation is the need of the hour.

### **Textile value chain**

6. The textile value chain extends from raw material, i.e., fibres to finished products, i.e., clothing and made-ups, with spinning, weaving, knitting and processing coming in between as intermediate processes. **The structural pyramid of Indian textile industry is inverse in terms of 'strength'.** Fibre manufacturing and spinning processes is strong while weaving and processing are relatively weak segments. However, in the recent past, there has been intensive activity in terms of technological upgradation of entire value chain of the textile activity. About US \$ 9.50 bn of investment has taken place in this industry for capacity expansion and modernization during the last about five years. A sort of silent revolution has been taking place, which thus manifested itself in increase in production during the current year.

7. Though the Indian textile industry uses all kind of fibres / yarn, it continues to be predominantly cotton based. The consumption of cotton fibre vis-à-vis other fibres / yarn in India is 62 : 38, while the global consumption of fibres / yarn is 40 : 60 in favour of non-cotton fibres / yarn. However, in India also the consumption of man-made fibre / yarn is increasing very fast and expected to reach the world level in near future.

8. As already stated Indian textile industry is predominantly cotton based. India is the third largest producer of cotton following China and USA. During 2005-06(cotton year Oct. – Sept.) the production is estimated to be 244 lakh bales. The quality of cotton has also improved considerably over a period of time. The improvement in quantity and quality of cotton has been contributed to a great extent by the Cotton Technology Mission (TMC) which was launched by Govt. during 1999. Till Nov.2006, under Mini Mission III of TMC 219 projects for activation of market yard, improvement of market yard and new market yards with project cost of Rs. 42953.84 lakh have been sanctioned. Out of this, 122 projects have been completed.

Further under the mission IV, 821 projects of modernisation of ginning and pressing factories with project cost of Rs. 1,10,834.67 have been sanctioned and out of this 381 projects have been completed till 30-11-06.

9. Other major fibres / yarns used by the textile industry are man-made fibres /yarns. The man-made fibres/ yarns industry, particularly the polyester segment, has achieved significant growth during the last two decades. The installed capacity increased from 223 mn. kg in 80-81 to 2565 mn. kg. in June 2006. The production of this industry increased from 188 mn. kg during the year 80-81 to 2147 mn. kg (Prov) during the year 2005-2006, out of which 1703 mn. kgs is contributed by polyester segment alone. The sharp increase in production of polyester fibre and yarn has made India emerge as the 5<sup>th</sup> largest producer of man-made fibre/filament yarn in the world.

10. Other fibres used by the textile industry are wool, silk and jute. Wool is the only fibre the production of which is deficient in the country. We produce about 52 mn. kgs of raw wool out of which only 5 mn. kg. is of average apparel grade and remaining 40 mn. kg. is of carpet grade wool and other coarse wool. The worsted woollen sector, therefore, entirely depends on import of raw wool for meeting its raw material requirements. Even the export oriented carpet industry depends on New Zealand wool for blending to obtain the desired lustre in the carpets.

11. India is second largest producer of silk with annual production in the range of 15-16 mn.kg. However, India has the unique distinction of being endowed by nature with the all four varieties of silk, viz., mulberry, tusar, eri and muga.

12. Another fibre is jute, we are the largest producer of the jute in the World. The environmental considerations assuming importance have created new opportunities for jute which is bio-degradable, renewable and eco-friendly. What has happened over the years is that it has been traditionally associated with low value addition and utilization in terms of sacking and packing material. However, recently efforts are being made to diversify this sector into newer areas particularly geo-textiles. Textile industry has also started using jute in blends with other fibre for apparel usage.

13. The growth in the production of textile fibres has facilitated the growth of the spinning sector. Industrial delicensing and liberalization policies coupled with freedom from unfair competition from unorganized sector accelerated the process of setting up of spinning units in the organized sector after 1990s. As on 31/03/2006 1570 spinning units are functioning in the organised sector. In the late '90s, SSI spinning units have also sprung up mostly in and around Coimbatore. As on 31/03/2006 there were 1173 such units. Taking spindleage in organised and small

scale sector, about 37.51 mn. spindles and 5.20 lakh rotors are functioning in the country as on 31/03/2006. The significant feature of the spinning industry is that about 92 percent of the yarn is produced in the organised sector, while only 8 percent is produced in the small scale sector. Technology-wise also spinning industry is reasonably modernized particularly by taking advantage of Textile Modernisation Fund Scheme (TMFS) which was in vogue during VII Plan. The spinning industry is also the largest beneficiary under Technology Upgradation Fund Scheme (TUFS). The projects worth Rs. 15032 crore have been sanctioned under the scheme during 2005-06. Many compact yarn spinning units are also coming up under TUFS.

14. Consequent upon the growth in spinning capacity, the production of cotton, blended and 100% non cotton yarn has also gradually increased and during the year 2005-06 it was provisionally estimated at 2521, 588, 349 mn. kg respectively. India, today is one of the largest producer / exporter of cotton yarn.

15. Weaving activity, in which India was lagging behind for a very long period has also taken a quantum jump as far as quality is concerned during the recent period. In the last 2-3 years, more than 20,000 shuttleless looms have been installed. Further by taking advantage of 20% capital subsidy scheme under TUFS, weaving and weaving preparatory activities are being upgraded by the powerloom sector.

16. At the time of independence, mill sector was producing 75 percent of the total cloth production. However, subsequently restrictions were imposed in the installation of weaving capacity of the mill sector. Therefore, the weaving capacity of the organised mill sector stagnated for a number of years. Even after the removal of the restrictions in 1985, the capacity of the organised mill sector, which had by then lost its competitive edge, has been consistently declining. Thus, between 1985 and 2006, the weaving capacity has declined from 2.10 lakh to 0.92 lakh looms – a decline of 50 percent. However, there is discernible, though hazy, trend of revival of composite mills. Composite segment is the second largest beneficiary under TUFS. Projects worth Rs. 3873.69 crore till 31.03.2006, have been sanctioned under the scheme. **It is expected that as TMFS launched during the VII Plan has modernized the spinning industry enabling the country to become the largest exporter of cotton yarn, the TUFS will strengthen the technology of the weaving sector.**

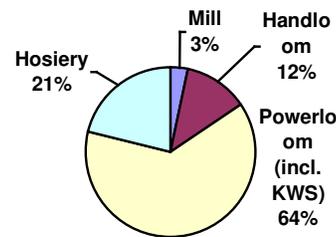
17. The powerloom sector has been expanding steadily. The number of powerlooms have increased from 15.99 lakh in 1998-99 to 19.38 lakh by the end of year 2006. Further, the technology level of powerloom sector, which used to be very low, has started improving. The Government's efforts are in progress to formulate the schemes to accelerate the modernization process of powerloom sector. Cluster Development programmes in the identified clusters of powerloom have also been

initiated by the Government organizations. The powerloom associations are also activating themselves to create the awareness about the need for around development of the powerloom sector enabling it to face successfully the challenges of globalised economy.

18. Indian hand woven fabric occupies a place of eminence in preserving the country's heritage and culture. It has a long tradition of excellence in its craftsmanship. The handloom industry has an advantage of flexibility of small production quantities, openness to innovations, low investment, labour intensive and adaptability to market requirements etc., is trying to innovate and produce high level products.

19. There is tremendous potential for knit products, global demand for which is growing at a faster pace than for woven textiles. Increased use of knitted fabrics for fashion wear and household articles has opened up new vistas for this sector. The knitted segment has been de-reserved from March 2005. Production by this sector touched 10418 million sq. mtr during 2005-06. With the removal of restriction on investment due to de-reservation of this sector, investment is likely to go up.

20. The total production of cloth by all sectors, i.e., mill, powerloom, handloom, knitting and khadi, wool and silk has shown an upward trend. Total production of cloth has increased from 42,034 mn. sq.mtrs. during 2001-02 to 49577 mn. sq.mtr. during 2005-2006 registering an annual rate of growth of 4.0 percent during the last five years. The relative share of production of cloth from mill, handloom, powerloom (including khadi, wool, silk) and knitting sector is about 3 percent, 12 percent, 64 percent and 21 percent respectively during 2005-2006.



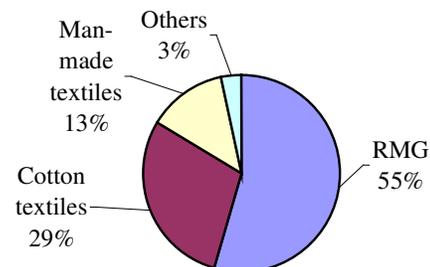
21. The processing stage is undoubtedly the most significant process in the value chain of various textile products contributing the essential user requirements of easy maintenance, colour fastness and also aesthetic value addition in terms of colours, motifs and designs. The value addition at this stage of production is maximum, often manifold; what with bio-finishes, various surface finishes such as peach finish, sand finish, raised finish, or brush fabrics; coated, impregnated fabrics, water repellent, fire retardant and anti bacterial finish etc. In India also many high-tech processing units have been set up in the recent past and many units are at implementation stage under TUFS. The Government has approved additional 10% capital subsidy for specified processing machinery under TUFS w.e.f. 20/04/2005.

22. Clothing industry is a phenomena of this century more specifically the 1970s onwards owing its growth to the potential in apparel exports. Since a modest beginning in the '70s it has grown into a gigantic industry spread over the country. The growth rate of clothing industry has almost doubled over the last 8 years and the knitted segment has grown faster than woven garments. The estimated production of this industry is about 8000 mn. pieces with market value of US\$ 28 bn. We still pin our hopes on this sector to drive the textile industry and trade and tuned it as engine of growth. In spite of several problems faced by clothing segment, this sector has shown dynamism and achieved rapid growth during the last two decades. This sector has the potential to achieve tremendous growth particularly in the global trade by broad basing its market and product mix to meet the challenges of trading blocks created in its major markets, i.e., US and EU. To provide the industry with world class infra structure facilities for setting up textile units. Scheme for Integrated Textile Parks (SITP) was launched. The National Institute of Fashion Technology (NIFT) has been set up to provide a leadership role in sensitizing the industry to the concept of value addition by inducting trained professionals to manage the industry. ATDCs run by AEPC, TRAs and Powerloom Service Centres are also contributing by catering the need of human resource development.

### **Export of textiles & apparel**

23. A steady inflow of foreign exchange is one of the dominant features of the economic contribution of the textile trade. Successive government policies have consistently encouraged measures to exploit our comparative advantages to increase exports. The exclusivity of our handlooms; the uniqueness of silk; the flare of our fashion designers; the delicacy of our carpets; and the cost competitiveness of our powerloom cotton fabrics have kept up a steady interest in Indian textiles and made the task comparatively easy for an exporter.

24. The textile trade over the last decade has increased considerably from US\$ 5 bn. to US\$ 17 bn. in 2005-06. The textile exports also contribute to about 16 percent of the India's total exports. In the global textile trade also our share has increased from 1.85 percent in 1985 to 3.04 percent in 2004. However, it is still lower than our share of 11 percent in 1951. Further, our exports have grown at an average of 12 percent per annum in dollar terms during 2002-03 to 2005-06.



25. The National Textile Policy (N. Tx. P.) – 2000 has envisaged textile exports at US \$ 50 bn. with the share of garments at US \$ 25 bn. by 2010. The Government has initiated appropriate schemes to provide the necessary thrust for achieving the export targets of US \$ 50 bn. by 2010. The world trade is expected to increase at the rate of 8 percent. By 2010 it will be about US\$ 660 bn. Accordingly, the US\$ 50 bn. target would mean global share of 7 percent as against 3.13 percent currently. The World Bank has estimated that Indian clothing industry would benefit from abolition of quota as its quota levels are always fully utilized. The recent measures taken by the Government in the form of TMC, TUFs, Cluster development plan, SITP are also bound to reflect in strengthening the fundamentals of the textile industry enabling it to market its products aggressively in the global market.

**Conclusion :**

26. The inherent strengths of the textile industry have seen the textile industry through rough days and hard times. There have been many periods of adversity, when growth charts have dipped and it has appeared that misfortune will overtake. But like phoenix the textile industry has risen each time from the ashes. Tremendous resilience and creative genius in India will achieve the due to this country.

27. Today, rapid changes in the World trading system have endangered the stability of the textile industry and created an atmosphere of uncertainty and turbulence in the industry. But it is also a fact that turbulence is necessary for any change in the system. In a World that is fast losing its traditional boundaries and borders are becoming invisible, there is need to bring about technological improvement, structural changes, liberalisation from controls and regulations, increased productivities of labour and machine and reliable quality assurance systems. If there is insecurity inherent in the globalised economy, there is also opportunity – opening up of vast markets to Indian textiles and Indian clothing that were earlier closed or regulated and Indian textile industry is ready to take up this opportunity of free trade and secure its well deserved position in the international textile arena.

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